



Board Charter

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1. Introduction

The board of directors (the “Board”) of KAP Industrial Holdings Ltd (“KAP” or the “Company”) is committed to the Constitution of the Republic of South Africa and strives to ensure compliance with all applicable legislation and regulations. It strives to cultivate the characteristics of integrity, competence, responsibility, accountability, transparency and fairness and to exhibit such principles in its conduct, with the aim of achieving enhancement of shareholder value in the long term. The mission of the Board is to represent the interests of all stakeholders in perpetuating a successful, sustainable and ethical business.

Note: references to “the Group” shall include all companies in the KAP group of companies.

2. Composition of the Board

The Board shall consist of executive and non-executive directors. The majority of directors on the Board shall be non-executive directors, the majority of whom shall be independent non-executive directors.

No director shall be entitled to hold, simultaneously, the positions of both chairperson of the Board and chief executive officer of the Company and no director may be appointed for life.

The chairperson of the Board shall be elected by the Board from its own ranks as soon as may be practicable.

Appointments to the Board and/or to the Board committees shall be effected by the Board as a whole, taking due cognisance of the recommendations of the KAP nomination committee, subject to compliance with the provisions of the Company’s memorandum of incorporation (the “MOI”), the requirements of the Companies Act No 71 of 2008 (the “Companies Act”), the listings requirements of the JSE Ltd (the “JSE”) (the “JSE LRs”), the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”) and all other applicable laws and regulations and/or recommendations of best-practice codes (collectively, the “Statutes”) to the extent that these may govern the appointment of directors to the Board and/or to committees of the Board.

Appointments to the Board and its committees shall follow a formal and transparent procedure:

- The statutory framework for the appointment of directors to the Board and/or committees of the Board shall be as permitted under the conventions of the Statutes.
- Nominations for consideration for appointment to the Board and/or committees of the Board may be made to the KAP nomination committee by any director, and the KAP nomination committee shall, in accordance with its charter, consider such nomination(s), having due regard to the composition and requirements of the Board and/or its committees and the eligibility, suitability, experience and qualifications of each person nominated.
- The KAP nomination committee may elect to recommend the appointment to the Board and/or its committees of any person or persons nominated and the Board, as a whole, shall consider such appointment.
- To the extent required by the prescripts of the Statutes, all appointments/re-appointments to the Board and/or to the Board committees shall be subject to the approval/ratification, as may be appropriate, of the shareholders at a general or annual general meeting of the Company.
- In effecting Board and/or committee and/or senior executive appointments, all reasonable efforts shall be made to establish optimal diversity and balance as regard structure, size and composition in such a manner that the best interests of the Company are appropriately served and creating a basis with which to ensure and enhance effective succession planning. “Diversity” for purposes of the optimum composition of the Board means diversity in terms of business and industry skills, qualifications and knowledge, industry experience, commercial background, culture, age, race, gender, faiths and other distinctions between and among individuals, including ethnicity and geographical differences.

- The Board shall demonstrate the Company's commitment to transformation at the highest decision-making level in the Group by giving preference to those capable candidates whose appointments will contribute to or maintain the Board's targeted levels of diversity.
- Where required and at the election of the new director, new directors appointed to the Board shall be given an appropriate induction into the business and affairs of the Group and into the responsibilities of any committee on which they may be appointed to serve.
- Where a candidate is not well-known to the Board, appropriate screening shall be undertaken to determine whether the candidate is fit, eligible and suitable to become a director of the Board or a member of a Board committee by authenticating the candidate's qualifications, apparent integrity and ethical demeanour, disposition towards the Company and other personal qualities, including compatibility with the prescribed values and behaviours of the Company and potential conflicts of interest to ensure enhancement of the overall effectiveness of the Board. As a minimum, each director shall complete a fit-and-proper declaration and assessment, and satisfy the criteria as set out in the JSE LRs and the Board shall not knowingly permit an ineligible or disqualified person to serve as a director.
- In the event of the nomination for appointment of a domestic prominent influential person, including any individual who holds, or has held, a prominent public function, including senior government officials and leaders of political parties, the Company shall, in addition to the screening set out above, conduct appropriate background and media checks on the candidate and closely monitor the business affairs of the candidate in accordance with the prescripts of the Financial Intelligence Centre Act No 38 of 2001. No such person or individual may be appointed to the Board before a cooling-off period of at least three years has passed since that person or individual ceased actively holding such a position or function.
- Where a director is not knowledgeable in respect of the JSE LRs, the Company's relevant JSE sponsor shall explain the nature of the director's responsibilities and the obligations arising from the JSE LRs.
- On appointment, the Board shall ensure that each director is free, and remains free, of any conflicts of interest between the duties he/she owes to the Company and his/her personal financial interests.
- The Board shall apply staggered rotation of non-executive directors to invigorate the Board's proficiencies from time to time by introducing new members with new expertise and fresh perspectives, while retaining valuable knowledge, skills, experience and continuity.
- All directors are bound by and shall comply with the provisions of any applicable Statutes, as they may be amended from time to time, both in their capacities as directors and in their personal capacities.

3. Fees

Forward-looking fees payable to non-executive directors in respect of their services on the Board as directors must be approved by way of a special resolution of shareholders at a general or annual general meeting of the Company and may be paid only in accordance with the prescripts set out in section 66(8) and section 66(9) of the Companies Act, and the material terms thereof are to be disclosed in the Company's integrated report.

4. Duties of the Board

In addition to the other provisions of this charter, it is the collective responsibility of the Board to:

- approve the strategic direction of the Group and any subsequent material changes in the strategic direction, and to oversee the implementation of strategies, appreciating that the Company's core purpose, its risks and opportunities, strategy, business model and sustainable development form inseparable elements of the value-creation process;
- approve the budgets necessary for the implementation of the strategic direction and any subsequent material deviations in business plans;
- ensure the adequacy and effectiveness of internal control systems and procedures;
- report on the efficacy of the Group's system of internal controls;
- ensure appropriate governance of the Group's information technology systems;

- govern risk in a way that supports the Company in setting and achieving its strategic goals and objectives;
- ensure that there is an appropriate and effective risk-based internal audit;
- serve as the focal point and custodian of corporate governance for the Company, its subsidiaries and divisions, and ensure that an appropriate corporate governance framework is adopted and applied across the Group;
- define levels of materiality, reserving specific powers to itself;
- approve the annual financial statements and interim reports of the Company and ensure the integrity of the Company's integrated report;
- consider and, if appropriate, declare distributions in accordance with the provisions of the Companies Act or any policy that the Company may implement from time to time in respect of distributions;
- ensure that the business of the Group is conducted in accordance with the principles of fairness, accountability, transparency, responsibility, competence and integrity;
- provide effective leadership based on an ethical foundation and assume responsibility for the governance of ethics, setting the tone for an ethical leadership;
- ensure that a code of ethics is adopted, delegating to management the responsibility for implementing and applying the code of ethics in compliance with applicable legislation and regulatory codes;
- ensure that the Company and the Group act and are seen as responsible corporate citizens by overseeing and monitoring, on an on-going basis, how the consequences of the Group's activities and outputs affect this perception;
- communicate and maintain relations with shareholders and the general public and other internal and external stakeholders in a transparent and timely manner; and
- ensure the undertaking of annual performance/effectiveness assessments of the Board and its committees, its chairperson and its individual directors in accordance with the recommendations of King IV in order to support continued improvement in its performance and effectiveness. The Board may approve the performance assessment methodology, which may be in such a manner and format as the Board may deem appropriate, provided a formal evaluation must be conducted at least every second year. In every alternate year, the Board shall schedule an opportunity for reflection and discussion of its performance. The lead independent non-executive director must lead the evaluation of the chairperson's performance. A high-level overview of the evaluation outcomes, remedial actions and the Board's views should be disclosed publicly in accordance with the recommendations of King IV.

In carrying out its responsibilities, the Board shall strive to ensure that:

- there is a balance of power and authority at Board level and that no single director has unfettered powers;
- materiality levels governing the referral of matters to the Board, for decisions by the Board, are set;
- an adequate and effective process of corporate governance, including the process of risk and audit management, is established and maintained;
- appropriate director and executive selection, remuneration levels and related human capital matters are dealt with through the appointment of committees of the Board;
- reasonable procedures to secure compliance by the Group with all legislation and regulations which may be material to its businesses and affairs are adopted; and
- an effective and sustainable succession plan is in place.

The Board shall receive information and reports from the KAP chief executive officer (the "CEO") and the KAP chief financial officer (the "CFO"), on behalf of management, as well as advice and reports from the committees appointed by the Board. The contents of the afore-mentioned reports, the basis on which they are prepared and material parts thereof, must be considered and if required, debated at Board meetings.

The Board shall review, consider and may make recommendations in relation to operational management and performance on the basis of the facts and circumstances set forth from time to time in the reports provided for Board meetings.

In view of the diversity and spread of the Group's businesses, enterprises and ventures, the Board is entitled to rely upon information provided to it by management and, in particular, on the contents of the CEO's report and the CFO's report, and is entitled further to base its decisions and recommendations on the accuracy of the information thus provided to it, provided that each director is nevertheless obliged to apply his/her own mind and to bring his/her own skill, experience and judgement to bear to the facts at hand, i.e. no director is entitled to blindly rely on advice and must make a concerted effort to understand the information placed in front of him/her and must apply an enquiring mind to such information.

The Board shall record the facts and assumptions on which it relies to conclude that the business will be a going concern in the year ahead, or why it will not, and, in such case, record the steps that the Board is taking to ensure the sustainability of the Group's businesses.

Subject to obtaining the prior approval of the Company (*via* a process that shall be facilitated by the company secretary), which approval may not be unreasonably withheld, any director may seek professional advice on a material matter relating to his/her duties and obligations in respect of the Company, at the reasonable cost of the Company.

Should circumstances so require, the Board may take such steps as may be necessary to file a resolution for business rescue as contemplated in the Companies Act and to appoint a business rescue practitioner.

5. Directors' Obligations, Personal Financial Interest, Confidentiality and Price-sensitive Information

Directors must at all times exhibit the utmost good faith in relation to all matters concerning the Company and must always act in the best interest of the Company, exercising due care, skill and diligence as may reasonably be expected of a person carrying out the same functions and having the general knowledge, skill and experience as that director.

Board members are under a legal duty to prevent conflicts of interest with the Company. At the start of each Board meeting, all directors' personal financial interests shall be considered by their co-directors. In the event that a director has a personal financial interest or a conflict in respect of a matter to be considered at a meeting or knows that a person related to him/her has a personal financial interest in the matter, such director must immediately make full disclosure of any areas or potential areas of conflict prior to any further discussion or consideration by the Board of such items. Where a conflict of interest exists, conflicted directors shall not take part in any Board discussion on such matter(s), save as may be permitted under the Companies Act relating to the disclosure of relevant information on the subject matter, and shall recuse themselves from the meeting whilst discussions are in progress, and they shall not take part in any decision-making on any matter in which they may be conflicted. Any conflict of interests by a director at a meeting shall be recorded in the minutes of that meeting.

Directors must at least quarterly, and whenever a change occurs in their personal financial interests, declare their interests in writing to KAP Secretariat, which shall keep a record of all such declarations and disseminate these to the directors before every Board meeting.

The directives for disclosing personal financial interests during the consideration of written resolutions, shall be governed *mutatis mutandis*, as set out herein for meetings of the Board.

All information relating to the Company, its businesses and affairs, established and/or learned in the capacity of director, must be treated and dealt with on a confidential basis and disclosure of unpublished price-sensitive and/or confidential information by the Company's directors, officers, their associates, as well as certain designated individuals ("Affected Persons"), is strictly prohibited at all

times, irrespective of whether or not the Company is in a closed period. The Company's policy on price-sensitive information and insider trading, and the JSE LRs regarding the disclosure and dissemination of price-sensitive information relating to the Company, as well as the provisions of the Financial Markets Act No 19 of 2012, must be complied with at all times.

Trading by Affected Persons in securities of the Company will be subject to compliance with all applicable legislation and regulations and to the Company's policy on price-sensitive information and insider trading. To this end, dealing in the securities of the Company by Affected Persons when they are in possession of price-sensitive information, is strictly prohibited at all times, irrespective of whether or not the Company is in a closed period. The commencement date and extent of all closed periods shall be notified to Affected Persons by KAP Secretariat, which "closed period" is a period set by the JSE or the Company, during which time dealing in the Company's securities is prohibited. Affected Persons may deal in the Company's securities during any period when the Company is not operating within a closed period, provided they are not in possession of price-sensitive information, and subject to having obtained prior written clearance for the contemplated transaction from the CEO or the chairperson of the Board (as the case may be). Any dealing in the Company's securities by Affected Persons shall be disclosed without delay on the JSE Stock Exchange News Service/SENS to the extent required.

6. Meeting and Procedures

The Board will meet at least four times per year. Additional meetings will be held as and when necessary. Disclosure of the number of Board and committee meetings held in the year and attendance thereat will be recorded in the Company's integrated report or in its corporate governance report.

The chairperson (or his/her delegate) shall be entitled to conduct meetings as he/she may deem appropriate in the circumstances, subject to ensuring that reasonable procedures have been adopted to ensure compliance by the Company with legislation and regulations which may be material to the conduct of its businesses and affairs.

Board members shall be furnished timeously with all material documentation reasonably required to enable them to prepare themselves appropriately for each meeting. Board members are required to peruse and consider the contents of Board packs to enable them to participate in meetings on an informed and meaningful basis.

Minutes of all Board meetings shall be produced by the company secretary who shall record the proceedings and decisions taken, the details of which shall remain confidential. A record shall be kept of the attendance of directors at Board meetings.

Unless varied by this charter, meetings and proceedings of the Board shall be governed by the Company's MOI, subject to compliance with the Companies Act.

Decisions that could be voted on at a meeting of the Board may instead be adopted by written consent by a majority of the directors, given in person or by electronic communication.

Draft minutes of Board meetings and proposed written resolutions shall be circulated to all members of the Board.

7. Attendance at Meetings

Professional advisors, officers or members of staff whose input may be required, or who may be invited for the purpose *inter alia* of capacity building for potential directors, may be invited to Board meetings at the discretion of the chairperson.

The chairperson shall excuse from the meeting, or from any item on the agenda, any of the attendees at a meeting who may have or may be considered by the Board to have a conflict of interest.

No invitee shall have a vote at meetings of the Board.

8. Management

The day-to-day business and affairs of the Company are to be conducted by management.

Management generally and executive directors specifically remain, at all times, duty bound to continuously inform non-executive directors, on a comprehensive and intelligible basis, of any matter which may be material to the business and affairs of the Company and, in particular, of all and any circumstances which may relate, either directly or indirectly, to the going concern status of the Company.

The businesses and affairs of the subsidiaries and associates of the Company are conducted by management employed for that purpose and due cognisance is taken in this regard of the particular nature, extent and location of such businesses and of the resulting circumstance that the CEO, the CFO and other executives of the Company are obliged to rely upon in respect of the accuracy and completeness of information received by them from the management of such businesses.

9. Secretary

In accordance with the provisions of the Companies Act, the Company must appoint a properly experienced and/or qualified company secretary. The Board is responsible for the selection and appointment of the company secretary. The Board shall recognise the pivotal role to be played by the company secretary in the achievement of good corporate governance and shall accordingly empower any individual in this role. In addition to recording of minutes of meetings and drafting of resolutions, the company secretary's core duties include the provision of detailed guidance to the Board as a whole and to each individual director regarding their duties, responsibilities and powers and ensuring that the Company complies, as a minimum, with the provisions of the Company's MOI and the Companies Act as well as the JSE LRs. The roles, duties, responsibilities and authority of the company secretary, as well as its working relationships within KAP, are set out in more detail in the Board's company secretary charter.

The position of company secretary may be filled by a juristic person, whose members fulfil the relevant duties as set out above and in any Statutes. The company secretary (or representative) shall attend all Board meetings. The Board shall maintain an arms' length relationship with the company secretary.

The Board shall annually evaluate the suitability and effectiveness of the company secretary and a high-level overview of the results of such performance review shall be disclosed in the Company's corporate governance report.

10. Board Committees

The Board shall be entitled to appoint committees to investigate, consider, furnish advice, make recommendations and/or make final decisions in regard to the matters specifically set out under the written charters for such committees. In certain instances, the specific mandate or directive from the Board, formulated or expressed as a resolution, shall serve as an *ad hoc* committee's charter.

Apart from any other *ad hoc* committees which may at any time be appointed for any purpose, the Board shall appoint the following committees:

- an audit and risk committee;
- a human capital and remuneration committee;
- a nomination committee;
- a social and ethics committee;
- an investment committee; and

- any other standing committee that may be required to be formed by applicable legislation or regulations from time to time.

The Board committees shall, as permitted by the Companies Act, perform the functions required by the Statutes on behalf of any subsidiary which may otherwise be required to appoint a board committee. Should, however, the subsidiary itself be a subsidiary of another company that has a board or standing committee that will perform the functions required by the Companies Act on behalf of the subsidiary in respect of such a board or standing committee, then, as permitted by the Companies Act, the Board may elect not to establish such a separate board or standing committee of the subsidiary.

11. Composition of Committees

11.1 Board committees

Subject to compliance with the provisions of the Companies Act and all regulatory requirements, all statutory Board committees shall be established by the Board. Where shareholder approval shall be required for the appointment/ratification/re-appointment of directors as members of a committee of the Company, the KAP nomination committee shall recommend the members for appointment.

Board committees act with the delegated authority of the Board and are responsible to the Board. Delegation to committees or management in no way mitigates or dissipates the discharge by the Board and its individual directors of their responsibilities.

Save for the membership of *ad hoc* committees, Board committee members shall be appointed by the Board from its own ranks and the composition of the Board committees shall be in accordance with the provisions of the Companies Act, the JSE LRs and all relevant laws and regulations.

The Board may, having due regard to the recommendations of the KAP nomination committee, terminate or extend appointments to Board committees.

11.2 Divisional committees

Over and above the appointment of the afore-mentioned Board committees, the CEO and the CFO shall be entitled to appoint divisional committees of whatever nature (statutory or otherwise) to assist the Board committees with the effective discharge of their duties in particular subject-matter areas (risk, audit, compliance, governance, ethics, information technology, etc).

The divisional committees established hereunder shall monitor and review the operations and continuously inform or make recommendations to the CEO and CFO in respect of the performance of the division and/or subsidiary in the particular subject-matter area for which it was appointed.

Divisional committees act with the delegated authority of the CEO and CFO and are responsible to the CEO and CFO. Delegation to divisional committees in no way mitigates or dissipates the discharge by the Board committees of their responsibilities

The CEO shall have the authority to nominate the individuals to be appointed to the divisional committees from time to time and may also act as chairperson of any divisional committee.

12. Committee Charters

Meetings and proceedings of all committees established hereunder shall be governed, *mutatis mutandis*, by those provisions of the Company which deal with Board meetings, including the relevant provisions set out above (to the extent applicable), or by specific mandates approved by the Board or by the CEO and CFO (as the case may be), or as set out in their respective charters (if any). All charters or mandates shall be subject to compliance with the Statutes.

Meetings of committees shall be held as each committee may deem appropriate, or as otherwise directed by the Board.

A quorum for each committee shall be constituted by a majority of its members, unless specified otherwise in the charter or mandate for any committee.

The chairperson of each committee shall be elected from the ranks of its members as soon as may be practicable, save that the Board shall be entitled to appoint the chairpersons of the Board and the KAP audit and risk committee.

The company secretary shall act, *ex officio*, as secretary for the Board and on all Board committees (with power of delegation).

The chairperson of each committee may invite any other executive, employee or independent professional to attend any particular committee meeting as an invitee.

13. Divisional Boards

Over and above the appointment of the afore-mentioned divisional committees, the Board shall be entitled to appoint divisional boards and/or divisional management boards of whatever nature (statutory or otherwise) to assist the Board with the effective discharge of its duties.

The divisional boards established hereunder shall be responsible to the Board and the mandate of the divisional boards is to monitor and review the operations and the implementation of strategy and any other matter which may be material to the business and affairs of the division and to continuously inform or make recommendations to the Board via the CEO and/or CFO, in respect of the performance and the going-concern status of the division and/or any subsidiary within the division.

Meetings and proceedings of all divisional boards established hereunder shall be governed, *mutatis mutandis*, by those provisions of the Company which deal with Board meetings, including the relevant provisions set out above (to the extent applicable), or by specific mandates approved by the Board, or as are set out in their respective charters (if any). Any charters and mandates shall be subject to compliance with the Statutes.

The CEO shall have the authority to nominate the individuals to be appointed by the divisional boards from time to time.

14. Approval of the Charter

This charter replaces the charter reviewed on 6 October 2017.

Approved: 
Chairperson of the Board

Date: 19 August 2021